2023 BENEFITS TRENDS TO MONITOR

Presented by Tilson HR

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Introduction

Over the last few years, almost every aspect of the workplace has changed. Employers continue to face challenges that have persisted since the start of the COVID-19 pandemic while being forced to respond to new ones. Today's labor market is forcing employers to do everything possible to attract and retain workers. Rising inflation and labor shortages are pressuring employers to respond to employee demands. Some employers have responded by offering additional benefits focused on employee physical and mental health, financial security and work-life balance to better support their workforce.

While some employers have responded to these challenges by attempting to meet employee demands, it's no surprise that most employers are struggling. With the current labor market, employers are being forced to address labor shortages, rising health care costs, and strained employee health and mental well-being while knowing their organizational budgets may not be sufficient to cover labor and workers' benefits costs through the remainder of the year. Understanding the latest benefits trends can help employers evaluate their offerings to best meet employee needs and give them a leg up on the competition. Proactively responding to these trends can help keep employees happy, healthy and loyal.

This article explores benefit trends to watch in 2023, discusses how they will likely impact employers and offers strategies to best address them.

Ongoing Impact of COVID-19 on the Workplace

While workplace concerns related to vaccinations and testing policies are not as prominent as they were at the start of the year, worker health remains a major consideration. The Centers for Disease Control and Prevention confirmed that many COVID-19-related symptoms—including sleep problems, joint pain, dizziness and difficulty concentrating—may continue even after recovery. The lingering effects of the virus will likely continue to impact employees and their productivity and force employers to address increased absenteeism and employee anxiety.

Employers will need to ensure their workforce remains healthy and happy. To accomplish this, many employers are adopting a holistic approach to their benefits offerings, including:

- Expanding leave policies
- Providing caregiving and child support
- Allowing remote or hybrid work arrangements
- Offering wellness and mental health programs
- Arranging financial guidance and counseling

The pandemic brought about a renewed focus on employee health and well-being. Employers will likely need to prioritize employee health and find ways to best support employees.

Health Care Costs Continue to Climb

Health care costs rose sharply in 2020 and will likely continue to rise. Early reports show that small businesses are likely to pay an increase upwards of 15% in 2023 health insurance premiums. Much of these rising costs are driven by individuals who are now receiving the care they deferred during the pandemic. Price changes for health care services are also to blame, as the pandemic caused a decrease in elective surgeries and minor procedures, leading providers to reevaluate the prices of other procedures to make up the difference.

In 2023, employers are strategizing on how to provide cost-effective, impactful health care benefits to employees. Some employers are exploring reigning in rising health care costs through more direct means, such as altering plan design. For example, some employers are considering moving from a fully insured plan to a self-funded or level-funded plan. Others may be considering taking advantage of large group benefit plans from PEOs like Tilson which find strength in numbers to lower total health care expenses and increase employee engagement in health care decisions.

Beyond traditional strategies of evaluating health plan offerings, employers can reduce health care costs by encouraging employees to stay healthy. Incentivizing employees to exercise daily, eat healthily, reduce stress and regularly visit the doctor can decrease their overall medical needs. Additionally, by focusing on employee education, employers can help individuals become better health care consumers and avoid unnecessary treatments or expensive procedures, thereby reducing overall medical costs.

While the cost of health care is not likely to decline any time soon, employers can now plan how to minimize the impact of rising costs on their organizations. Whatever strategies employers utilize to address rising health care costs, a proactive approach is likely to have the largest impact.

Ongoing Attraction and Retention Challenges

Employers are currently facing challenges attracting and retaining employees. One reason for this is the tight labor market, which makes it more difficult for employers to find and hire new workers. Additionally, rising inflation combined with current labor shortages is increasing the cost of labor, leading to many employees demanding higher wages and better benefits at a time when employers' budgets are shrinking.

These challenges have revealed a disconnect between the benefits employees want and those employers are providing. Employees today are generally prioritizing remote or hybrid work arrangements, telemedicine, mental health and financial wellness over other traditional benefits. These benefits are slowly becoming the standard as employers attempt to address their attraction and retention challenges and gain an edge in the current labor market.

Attracting and retaining employees will likely continue to be a top workplace challenge for employers through 2023. Conditions brought about by the pandemic have shifted the labor market to favor employees, leaving employers to compete for talent. While strategies will vary for each organization, employers may be able to get a leg up on their competition by aligning their benefits offerings with what employees want most.

Increased Focus on Mental Health

Many employees experienced a decline in their mental health since the start of the pandemic. Employee mental health and well-being significantly impact an organization's ability to succeed; when employees struggle with mental health issues, their productivity declines. The pandemic and transition to remote and hybrid work have spotlighted the increased need to address mental health issues in the workplace. Employers responded by improving mental health coverage.

In 2022, coverage for mental health care hit a new high, with 91% of employers offering this benefit, according to a recent survey by the Society for Human Resource Management. According to McKinsey & Company, over 30% of employers added additional mental health benefits within the last year. Many employees now consider mental health coverage a core benefit, so employers who are not providing this coverage will likely need to adjust their benefits accordingly.

Employers are relying on a variety of strategies to prioritize their employees' mental health. In addition to increasing investment in mental health programs, many employers are shifting to digital solutions to improve employee access to mental health resources, including telemedicine, meditation programs and stress management classes. According to Wellable Labs, 80% of employers intended to invest in more telemedicine solutions in 2022. Remote access to

mental health professionals can be extremely beneficial to employees who may otherwise not have time for in-person visits.

Many employers have embraced flexible work schedules and environments, including remote or hybrid work, allowing employees to balance personal obligations with work responsibilities. Employers are also providing employees with educational resources and scheduling routine check-ins to improve their mental health.

Mental health is a serious concern for both employees and employers. In a recent report from the Harvard Business Review, 91% of workers believe that an organization's culture should support mental health. Therefore, employers need to be prepared to help employees with their mental health now and in the future.

Redefining Employee Benefits

The COVID-19 pandemic seems to have changed not just how employees work but how they think about work. This includes what benefits they believe employers should provide. For example, many employees prioritized health and leave benefits over retirement benefits during the pandemic. In 2023, employee preferences for benefits seem to be returning to what they were before the pandemic, with employees once again prioritizing retirement benefits and financial wellness. However, all forms of benefits are more important for employees now than ever before. This provides an opportunity for savvy employers to utilize benefits to attract and retain employees in a tight labor market.

Some employers are doing this by redefining employee benefits. Traditional benefits aim to protect employees and provide a safety net in case the worst happens. Offering these benefits led to employees easily forgetting about their employer-provided benefits until they were needed. As a result, many employees did not fully appreciate the benefits provided by their employer, despite their high costs.

Now, many employers are restructuring their benefits to provide the most value to employees. Restructuring benefits means prioritizing and personalizing benefits to meet employee wants and needs, allowing employers to leverage their offerings to improve employee health, boost morale, and increase attraction and retention without increasing costs. Prioritizing benefits that provide valuable care serves employers as well as employees; asking employees which benefits they need and want empowers employers to know how best to

restructure benefits. Ultimately, employers will want to personalize their benefits offerings according to their employee's unique desires and needs. Not only will this help employees be more knowledgeable about their employer-provided benefits, but it will also likely increase their utilization and appreciation for those benefits.

Personalizing benefits can play an important role in employers' retention strategies, especially as budgets tighten. For example, financial security and professional development have increased in importance for employees in 2022. In addition to a culture of professional growth and development, building a comprehensive financial wellness program that prioritizes employee financial security can go a long way toward gaining employee trust and loyalty.

Benefits are typically employers' most expensive budget item after wages. By redefining benefits to adjust to employee preferences, employers can help keep employees healthy and happy as well as maximize their offerings to stand out in a tight labor market. Employers can consider how best to restructure their benefits to address their current labor concerns.

Leveraging Technology

Through 2023 and beyond, employers will increasingly rely on technology to administer benefits. Technology provides data and analytics to allow employers to make more informed and better decisions regarding employee benefits. It also enables employees to easily access and review benefits and become more educated regarding their employer's benefits offerings. Embracing technology is especially important for employers as more employees shift to remote or hybrid work environments.

Technology is helping employers better identify the benefits employees want. Technology can not only measure employee performance and happiness but also show what employees need. As a result, employers can develop benefits that address employee needs and, by doing so, improve attraction and retention. For example, employers can use artificial intelligence and machine learning to detect employee burnout, allowing employers to identify which employees may leave for other opportunities. By integrating these new technologies, employers may be better able to prioritize their employees' health and well-being while decreasing employee burnout.

Shifting to virtual open enrollment is one way employers are leveraging technology. With more workers working remotely, virtual enrollment may be the most feasible option for some employers moving forward. It can save time and resources since it's completed online. The pandemic showed that a single open enrollment meeting might not be sufficient to educate employees regarding their benefits. Employers need to go beyond their previous efforts and add digital options to better educate employees. These digital options may include:

- Email campaigns
- Posters with QR codes
- Links to digital enrollment materials
- Digital enrollment guides
- Webinars with vendors
- Videos
- Recorded benefits presentations that are accessible throughout the year

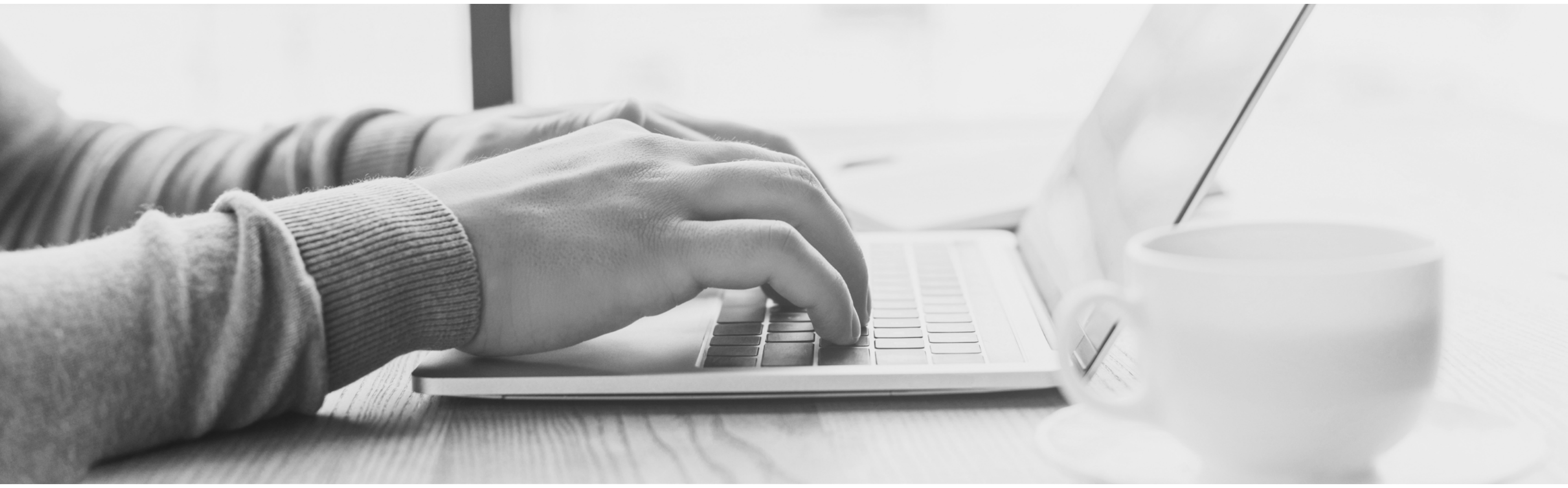
When it comes to administering benefits, communication with employees is key. Technology enables employers to communicate more frequently and effectively with employees while saving time and reducing costs.

Integrating Telemedicine Into Benefits Offerings

Telemedicine has become a more accessible and affordable way to treat more individuals. It is particularly effective for individuals with chronic conditions that require frequent doctor visits and medication refills. Telemedicine can also provide faster and more frequent care, which is particularly important for addressing mental health and well-being issues.

Telemedicine existed prior to the pandemic, but as individuals navigated lockdown orders and tried to reduce the risk of infection, it became much more widely utilized. According to the Society for Human Resource Management's 2022 Employee Benefits Survey, 62% of employers covered telemedicine care in 2018, but now, 93% of employers offer it.

Telemedicine offers flexible, cost-effective and convenient care. This encourages employees to see their doctors more frequently, helping employees improve their overall health and reducing health care costs for both employers and employees by staying healthy and avoiding unnecessary treatments. Telemedicine's popularity will likely only continue to grow through the remainder of the year.



Educating Employees to Address Rising Health Care Expenses

Educating employees can help employers address their rising health expenses. Before the pandemic, employers provided health care focused on preventive care. However, during the height of the pandemic, many employees deferred care or postponed elective treatment to reduce the risk of COVID-19 infection. Employers are likely dealing with the costs of employees' delayed care now, which is expected to increase health care costs in 2023 and beyond.

Better educated employees are more likely to save money for themselves and their employer by becoming better health care consumers, making better choices and avoiding unnecessary care. Employers can increase employees' health care knowledge by educating them on topics like:

- What are the details of their health plan
- How to compare prices
- Which questions to ask and when
- How to advocate for themselves
- How to properly review medical bills

The effort employers make now to educate employees will be repaid later through healthier employees and reduced health expenses.

Embracing Remote and Hybrid Work Arrangements

Many employers responded to the COVID-19 pandemic by moving their workforce to remote environments. Even as employees are now returning to the office, many continue to work remotely, either full- or part-time. According to Gartner, more than half of all U.S. workers will be either fully remote or hybrid employees in 2022. What started as a novelty now appears to be the new standard in 2023, especially as many employees insist on continuing to work from home.

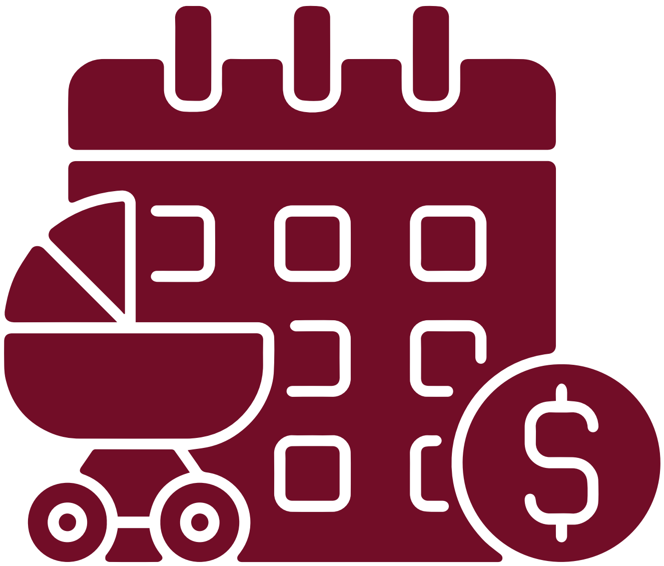
The pandemic changed the way employees work, and location may no longer be a deciding factor as employees evaluate employment opportunities. Employees now want the flexibility to work remotely, at least part-time or when necessary. Employers are offering remote or hybrid work arrangements when possible as a method to attract applicants and retain employees in the current labor market. Many employers even subsidize or reimburse employees for home office and work equipment. However, some jobs cannot be done remotely. For those employees, employers can provide flexible start or end times or other perks to level their benefits with remote employees.

According to Zywave's 2022 Attraction and Retention Benchmarking Overview, 18% of employers reported offering hybrid work options, and 13% of employers reported offering remote work options as strategies to improve retention. While many employers offer remote and hybrid work arrangements to meet the demands of current and prospective employees, determining what arrangements are practical will vary for each organization and job position.

Leave Policies

Many employers responded to the pandemic by expanding their leave policies, such as increasing paid leave or shifting to unlimited paid time off. This benefited both employers and employees by helping keep workers safe and addressing their child care needs. But it appears many employers have deprioritized leave benefits. Employers have reduced leave benefits to pre-pandemic levels, according to the Society for Human Resource Management's 2022 Employee Benefits Survey. For example, the number of employers offering paid maternity leave dropped from 53% in 2020 to 35% in 2022. However, most employees still expect their employers to continue to provide expanded leave benefits.

Many employees are still juggling both work and child care responsibilities. These caregivers don't want to have to choose between their jobs and their loved ones. As many employees return to the office, either full- or part-time, employers must consider how to address child care needs. Expanding leave can provide employees with a safety net and help give them peace of mind; in return, employers can benefit from building trust with their employees and increasing loyalty.





Employer Takeaways

In 2023, many employers are trying to address the same workplace challenges they've been dealing with since the onset of the pandemic while responding to today's labor challenges. Unfortunately, many of these challenges will likely continue through the end of 2023.

Employers will need to find ways to accommodate employees' wants and protect their health and mental well-being while addressing their organizations' attraction and retention struggles in a competitive labor market. This won't be easy, especially as many organizations find their budgets shrinking. The best strategies will vary by workplace, but being aware of current benefits trends and how PEOs such as Tilson can help offer Fortune 500-level health coverage at a competitive rate can guide employers as they take action.

For more information on today's benefits trends and how working with a PEO can help, contact us today.

ABOUT TILSON: Founded in 1995, Tilson is a leading Professional Employer Organization (PEO) and provider of Human Resources Outsourcing (HRO). Tilson manages essential workforce management services such as human resources, benefits and payroll administration, regulatory compliance, risk management and employee development.